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EXTENSION WORK WITH FOOD RETAILERS AND WHOLESALERS

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Food retailing and wholesaling is big business. Grocery and combination store sales in 1955 were more than 39 billion dollars. The operation of these 350,000 grocery stores affects the lives of everyone, including consumers, producers, owners, and millions of workers in food processing and distribution. Efficient food store operation helps consumers by providing the products and services they desire at low cost and by providing foods that are satisfying and nutritious. Producers benefit through low distribution costs and expanded markets, while retailers, wholesalers, and employees benefit through the returns on their investment and for their labor.

I. The Situation

In 1955 the cost of marketing food accounted for about 59 percent of consumer expenditures for food. Food retailing, employing about half the food-marketing workers, accounts for approximately half the cost of food marketing. The services performed by these 350,000 stores in assembling, storing, displaying, refrigerating, and selling farm products are essential to the functioning of the economy. Great progress has been made by the very dynamic distribution industry. Some of the more important recent changes have included increased vertical integrations of chain firms and of independents through affiliation with wholesale firms, a rapid increase in the use of laborsaving equipment and methods, improved equipment and procedures to maintain product quality, increased number of large stores with low-cost operation and a broad line of products, general use of self-service merchandising, and service contributing to pleasant, convenient food shopping. The large modern store with its more complete line of food and household supplies, with self-service merchandising, and operating as part of an integrated food distribution unit, has made an important contribution to the welfare of the American people through low-cost, efficient food distribution.

Retail Sales Are Concentrated in Large, Modern Stores

Supermarkets, chain and independent stores selling \$375,000 or more per year, lifted their share of total grocery store sales to nearly 60 percent in 1955, as compared with 44 percent in 1952 and 4 percent of sales in 1939. Supermarkets and superettes (any store, chain or independent, with an annual volume of \$75,000 to \$375,000) were only 26 percent of the number of stores, but

accounted for 86 percent of grocery and combination food store sales in 1955. Among independent stores, supermarkets, which are 4 percent of the independent stores, handled 44 percent of the volume of independent grocery stores in 1955, as compared with 25 percent in 1952. Small stores, still large in numbers, handle a small share of the retail food business declining from 22 percent in 1952 to 14 percent in 1955.

Fewer Stores Serve an Expanding Population

From 1952 to 1955 the number of food stores in the United States declined by more than 40,000 stores, despite an increase in population and an increased volume of food consumption. In 1955 there were about 18,800 chain and 324,000 independent grocery and combination stores and about 104,000 specialty food stores. During the 3-year period independent grocery and combination stores declined in number by about 30,000, chain grocery stores by about 3,000, (a chain consists of 11 or more stores operated by one firm) and specialty stores by about 8,000. During this period chain and independent supermarkets increased in number, while the number of small stores declined markedly. At the same time typical supermarkets are becoming larger. A trade source reports that the average supermarket built during 1955 occupied more than 18,000 square feet, requiring an investment of over \$400,000 in facilities, equipment, and stock. This modern supermarket handles 5,000 items compared with the 800 in a well-stocked grocery store 30 years ago and in many small stores today.

Independent Stores Change Operating Methods

Chain grocery and combination stores had about 36 percent of the total dollar value of grocery store sales in 1955, while the independents had the remaining 64 percent, about the same division of the market as during the previous 20 years. The competitive position of independent retailers and wholesalers seems to be strengthened by close retailer-wholesaler relationships. Many leading independent stores belong to retailer-owned cooperative wholesaling organizations or are affiliated with wholesaler-sponsored voluntary chains. These wholesalers provide special management service - buying, advertising, merchandising, store engineering services, accounting assistance, and general store supervision. Some have also provided expanded lines of merchandise, such as frozen foods, nonfood items, fresh meat and produce. These added services by the wholesaler have given independent store operators the advantages of integrated operation, specialized management, and sales promotion that have been used successfully by chain store organizations. From 1952 to 1955 there was some decline in the number of affiliated and nonaffiliated stores; but total sales by nonaffiliated stores changed little, while sales of affiliated stores increased about 34 percent during those 3 years.

Merchandising by Self-Service

Self-service merchandising of many products is almost universal and is increasing rapidly for other products, including meat and produce. With self-service each product is its own salesman, as each product competes with others for the consumer's favor. Methods of merchandising--price, product quality, unitizing, size of unit, pricing unit, type of display, and type of package--along with advertising and promotion are important factors affecting customer choice.

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Productivity of Labor Has Increased

From 1939 to 1953 physical volume of sales per worker in retail food stores increased by an estimated 32 percent. The increase is due in part to increased use of self-service, increased size of store, and a shift of some services to wholesale operations. Also, many retailers have adopted more efficient methods of storing, stocking, checking, and performing other operations. With assistance from research, new laborsaving methods and equipment continue to be developed to help cut costs of retailing.

Costs of Spoilage and Deterioration

Many of the products sold in retail food stores are very perishable, and costs of spoilage and deterioration are important considerations in store operation. These costs, lower now than formerly, are kept at a low level in many stores by frequent delivery, a high rate of turnover, the use of modern refrigeration equipment, and other means.

Aggressive Competition for Customers

The retail food industry is highly competitive, with a constant struggle for customers involving the development of de luxe shopping centers offering "one-stop shopping," food stores with a wide line of products, intensive efforts to reduce costs, quality competition with increased emphasis on providing qualities the customers desire, increased services to convenience-minded customers, and other forms of competition, including advertising, premiums, and stamp plans. The large stores, few in number as compared with small stores, handle a high proportion of the food and set the pace for the remainder of the industry. There is also keen competition among the large stores, as each firm, striving to maintain a position of leadership or equal the performance of the leader in its market, closely observes the actions of its competitors. This competitive situation and cost structure places emphasis on increasing sales volume per store. At the same time the cost of failure to keep pace with competitors can be high. In this situation there is considerable innovation and rapid adoption of innovations, once they are used successfully by a leader.

Small stores, generally serving smaller neighborhood markets, are in a somewhat different competitive position. Many of these stores provide special services, such as convenience of location and night and holiday service, that enable them to compete even though operating costs and prices may be high as compared with larger stores. Also, in many stores, management and family labor may have few alternative employment opportunities and be willing to provide this service for a low return. Among these stores, frequently short on capital, competition is somewhat less intense, with a lesser emphasis on innovation and aggressive sales expansion.

Large Stores Present Complex Management Problems

Managing the large modern food store to hold the patronage of "Mrs. Consumer" and to return a fair profit is the complex problem of store managers and operators. Food store operators are interested in satisfying their customers

by providing a pleasant store atmosphere, convenient shopping, sound customer relations, fair and competitive prices, a wider range of product selection, products of good and reliable quality merchandised to satisfy customer desires, and in doing this with low operating costs. It is important to producers that their product be priced and merchandised to attract and satisfy consumers. Producers of agricultural products and consumers are interested in a retail food industry that accurately measures and reflects consumer demand, reflects changing supply conditions in its pricing and merchandising, and provides the services of retailing at low cost. With increasing costs of labor, materials, and facilities, with consumers constantly demanding more services, and with a "cost-price squeeze" on agriculture, cost reduction is of special interest to all. Since labor and facilities represent a high proportion of the costs of retailing, there is emphasis on further advancing the efficiency with which these resources are used. To make the many decisions required in buying, handling, pricing, and merchandising the approximately 5,000 items in a modern store, and also to manage the large labor force and capital investment needed to accomplish these objectives, requires a high degree of managerial ability.

Research and Service Assistance for Food Retailers

Research has proved useful to management of retail and wholesale marketing firms in the complex decisions they must make. This includes public and private research to better maintain quality of perishable products, provide greater standardization in quality, and reduce spoilage and deterioration losses; research in customer preference and behavior, including studies of merchandising practices, quality preferences, package size, type, and design; materials handling and work methods research to reduce labor and equipment costs in warehousing, delivery, stocking, and selling; and research in market organization to assist in the development of integrated low-cost wholesale-retail operations.

Though great progress has been made by food retailers, there are differences among stores in the rate of progress. There is also a constant flow of new developments that must be analyzed and absorbed into store operations. The rate of progress can be accelerated by information and educational means.

There are many local, State, and national trade associations serving the retail food industry. A number of national associations provide information, education, and business analysis as part of their programs. These capably staffed organizations make major contributions to progress in food retailing. They and their members provide valuable guidance to extension in its programs.

II. Status of Extension With Food Retailers and Wholesalers

Extension has long worked with wholesale and retail food firms. The objectives of this work have included the following: Better maintaining quality of agricultural products, increased in the efficiency operation of marketing firms, improved marketing practices of farmers, increased use of new technological developments, improved market organization, more efficient operation of the price mechanism, increased knowledge of the marketing system, and the development and expansion of the market for agricultural products.

This work is conducted in several ways. Some problems of food retailers are closely related to the marketing practices of other marketing agencies and farmers or the organization of the market through which these products flow before reaching the retailer. A solution of such problems is likely to require action by one or more agencies. Commodity marketing specialists, working with several types of agency through the market channels for the products of their interest, effectively contribute to a solution of these problems. County agents and specialists in fields related to the particular problem also contribute importantly to educational work of this type.

Retailers have problems in the handling and merchandising of individual products within the firm. Some of these problems may also be affected by the marketing practices of other agencies handling the product. Retail merchandising specialists and other specialists working mainly among food retailers conduct effective educational work on these problems. Commodity marketing specialists and county agents also conduct effective educational programs to meet these problems.

Some of the more important problems of food retailers are less closely related to individual products or groups of products but involve the general efficiency of store operation. These problems include material handling, personnel management, facilities planning, and advertising, etc. Extension specialists in a number of subjects and agents in close contact with the retail firms contribute to educational programs concerned with these problems.

State extension services, to conduct more effective educational work on the problems of marketing firms, including retailers, have added to their staffs. More commodity marketing specialists have been employed. As the demand for work in this area has grown, specialists in retail merchandising to work largely with food retailers have been employed. Specialists in material handling, quality maintenance, and similar areas work on problems of food retailers and wholesalers. Marketing extension agents are employed to serve market areas, some placing major emphasis on problems of food retailers. Such agents call on extension specialists in many fields and specialists from industry as they build integrated educational programs to help solve marketing problems.

These programs, like other extension education, are planned in consultation with interested local groups. Emphasis is placed on the use of research results in helping firms solve problems they recognize. These programs are coordinated with the service and educational programs of trade groups, other public agencies, and extension programs with groups in production and marketing.

The extension services in 14 States have specialist and marketing agent personnel devoting at least 25 percent of their time to recognized programs to help food retailers. The total specialist and marketing agent manpower on these programs totals a man-year equivalent of about 16. In 4 States the man-year equivalent on these programs is 2 or more, in 3 States 1 to 1.9, and in 7 States 0.25 to 0.9, as some personnel are partly concerned with other extension activities. In addition there is one regional worker devoting full-time to this work. There are other marketing specialists with a total man-year equivalent of about 330 (including consumer information specialists, commodity marketing specialists, and others). Many of these workers and county

agents involve food retailers in their educational programs with producers and many types of marketing firms and agencies.

With the rapid changes in this very dynamic industry, there are frequent lags in the adjustment of merchandising practices on individual products to meet the new situations. These conditions can result in high costs of handling products, lost sales, and less well-satisfied customers. Extension can help producers, consumers, and retailers by helping to identify these situations, assisting in developing needed adjustments and encouraging retailers and other handlers to adopt the new practices.

Independent food retailers are increasingly becoming part of integrated food-handling organizations. Such arrangements enable the store owner to devote his specialized attention to a few managerial functions and to obtain specialized management service for other functions, such as buying, pricing, and advertising. This development also contributes to lower-cost food wholesaling and retailing. This trend has developed more rapidly and to a greater degree in some areas than in others. Extension can help improve marketing efficiency by helping independent retailers analyze opportunities to gain efficiency through such relationships and by similar analysis and education as these organizations grow and develop.

Labor is a very important cost in retail store operation, making up a large share of the cost of food retailing. Great strides have been made in the last two decades in reducing labor requirements and increasing labor productivity in food stores. Recent research has provided a basis for further reductions in labor costs in many stores. The application of the research results to an individual store requires a knowledge of the research, motion economy methods, and food retailing. This is an area in which Extension can provide technical knowledge in educational programs to help retailers in close cooperation with wholesalers and trade associations.

Food retailers keep a variety of records. While some make extensive use of these in the analysis of their operations, others make little use of records for this purpose. Trade associations, recognizing this need, have developed record analysis services. Extension can provide assistance by helping retailers appreciate the value of records, by helping trade groups develop their analysis services, and by teaching retailers to apply the analyses to their operations.

Frequently, local trade organization and other agencies working in retail marketing are in need of counsel and assistance as they plan and develop their programs to help the wholesale and retail trade. Extension specialists in economic analysis and education can provide valuable assistance to such groups.

IV. Assistance to States From Federal Extension

Federal Extension is prepared to work with State extension services in analyzing their situations to decide on the opportunities for work in this field and the form it might take. A program leader is available to assist in initiating retail marketing programs, training retail marketing specialists, and in developing and preparing training materials for work with food retailers. Program leaders in the commodity marketing branches work with marketing specialists in all phases of their programs, including the work they do involving food retailers.

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